2020

PROXY PAPER™

GUIDELINES

AN OVERVIEW OF THE GLASS LEWIS APPROACH TO PROXY ADVICE

PUBLIC PENSION POLICY

AN ADDENDUM TO THE PROXY PAPER POLICY GUIDELINES

SUMMARY OF CHANGES

On an ongoing basis, Glass Lewis extensively reviews and consults with stakeholders and clients on its policy guidelines. Annually, Glass Lewis updates its policy guidelines in accordance with market trends, developments and the results of our ongoing consultations.

In advance of the 2020 proxy season, Glass Lewis has not made material revisions to the Public Pension policy guidelines. However, a number of updates have been made to the Glass Lewis standard guidelines, which underpin and inform the Public Pension policy guidelines. Furthers details can be found at www.glasslewis.com/guidelines

The Public Pension guidelines are designed to ensure compliance with the special fiduciary responsibilities of public pension plan sponsors in voting proxies on behalf of public employees. The guidelines are designed for investors with extremely long-term investment horizons. While the recommendations reflect analysis and identification of both financial and corporate governance risk, the guidelines also include consideration of stakeholder interests in making proxy voting decisions. The guidelines encourage increased reporting and disclosure on the part of portfolio companies including in executive compensation, governance, labor practices and the environment.

MANAGEMENT PROPOSALS

ELECTION OF DIRECTORS

In addition to the standard level of analysis Glass Lewis conducts of directors and their performance, we provide an additional level of review to determine if directors are meeting the unique obligations of public pension plans. These include reviewing the diversity of board members and supporting proposals to report on or increase board diversity as well as evaluating directors' commitment to maintaining internal pay equity. In order to foster board independence and innovation, the guidelines also support limits on director terms and establishing director age limits.

Director Overboarding — For U.S. companies, Glass Lewis will closely review director board commitments and will vote against directors serving on more than five total boards, for directors who are not also executives; and against directors serving on more than two total boards, for a director who serves as an executive of a public company.

Board Diversity, Tenure and Refreshment — Glass Lewis' Public Pension guidelines will evaluate a company's policies and actions with respect to board refreshment and diversity. Glass Lewis believes that the nominating and governance committee, as an agent for the shareholders, is responsible for the governance by the board of the company and its executives. In performing this role, the committee is responsible and accountable for selection of objective and competent board members. To that end, Glass Lewis will: (i) vote against members of the nominating committee in the event that the board has an average tenure of over ten years and the board has not appointed a new nominee to the board in at least five years; or (ii) vote against the male members of the nominating committee in instances where the board is comprised of fewer than 30% female directors for large-cap companies, or against the nominating committee when there is not at least one woman on the board at mid- and small-cap companies.

Virtual-Only Shareholder Meetings — In recent years, an increasing number of companies have adopted virtual-only shareholder meetings, wherein shareholders are unable to speak face-to-face with a company's management. Although we support companies allowing a virtual option alongside participation in an in-person meeting, we view stripping shareholders' ability to attend a physical meeting as not conducive to productive discussions between companies and their investors. We believe that, without proper controls, conducting a virtual-only meeting of shareholders could eliminate or significantly limit a fundamental right of shareholders to confront and ask questions of management. As such, when companies have elected to hold a virtual-only shareholder meeting, Glass Lewis will examinethe level of disclosure provided regarding virtual meeting procedures. The Public Pension policy may vote against members of the nominating and governance committee if the company does not provide disclosure assuring that shareholders will be afforded the same rights and opportunities to participate as they would at an in-person meeting.

TAX HAVENS

Glass Lewis believes that it is prudent for management to assess its potential exposure to risks relating to a company's tax haven policies. More specifically, we believe a company should consider its exposure to regulatory, legal and reputational risk due to its policies and practices regarding operations in tax havens. Accordingly, the Public Pension guidelines will support shareholder proposals requesting that companies report on the risks associated with their use of tax havens. However, the policy will not support proposals requesting that companies adopt policies to discontinue operations or withdraw from tax havens. In addition, in instances where companies have proposed to redomicile in known tax havens, the Public Pension policy will vote against such a reincorporation.

RATIFICATION OF AUDITOR

The auditor's role as gatekeeper is crucial in ensuring the integrity and transparency of the financial information necessary for protecting shareholder value. Because of the importance of the role of the auditor, rotating auditors is an important safeguard against the relationship between the auditor and the company becoming too close, resulting in a lack of oversight due to complacency or conflicts of interest. Accordingly, in addition to our standard analysis on auditor ratification proposals, the Public Pension guidelines will vote against auditor ratification proposals in instances where it is clear that a company's auditor has not been changed for 20 or more years.

EXECUTIVE COMPENSATION

Glass Lewis recognizes the importance in designing appropriate executive compensation plans that truly reward pay for performance. In our standard analysis, Glass Lewis conducts an exhaustive examination of the disclosure, methods and levels of compensation paid to executives to determine if pay and performance are properly aligned and explained. Under the Glass Lewis Public Pension guidelines, Glass Lewis conducts a further level of analysis by looking at compensation issues as they relate to internal pay equity as well as other issues relevant to long-term sustainable corporate governance practices. In addition, the Public Pension guidelines support the inclusion of sustainability metrics in executive compensation plans. In instances where a company has received a Pay-for-Performance grade of "D" or "F" and Glass Lewis' standard policy has recommended in favor of the plan, the Public Pension guidelines will vote against say-on-pay proposals where sustainability is not an explicit consideration for companies when awarding executive compensation.

Beginning in 2018, U.S. companies are required to disclose the ratio between the compensation awarded to the median employee relative to that awarded to the CEO. Although the Public Pension guidelines will not currently incorporate this pay ratio in its voting policies, Glass Lewis will continue to evaluate this issue and may incorporate this disclosure in future compensation-related votes.

The Glass Lewis Public Pension guidelines will follow the general Glass Lewis recommendation when voting on executive compensation arrangements in connection with merger transactions (i.e., golden parachutes). Further, the Public Pension guidelines will support annual advisory compensation votes.

MERGERS, ACQUISITIONS AND CONTESTED MEETINGS

Glass Lewis undertakes a thorough examination of the implications of a proposed merger or acquisition to determine the transaction's likelihood of maximizing shareholder return. In making our voting recommendation, we examine the process conducted, the specific parties and individuals involved in negotiating an agreement, as well as the economic and governance terms of the proposal. In contested merger situations, or board proxy fights, Glass Lewis considers the plan presented by the dissident party and how, if elected, it plans to enhance or protect shareholder value. We also consider the arguments presented by the board, including any plans for improving the performance of the company.

The Public Pension guidelines will vote in accordance with the standard Glass Lewis policy recommendations on contested meetings, mergers, acquisitions, and other financing transactions. In addition, the Public Pension guidelines will support shareholder proposals seeking the company to consider effects of the transaction on the company's stakeholders.

SHAREHOLDER PROPOSALS

COMPENSATION

The Public Pension guidelines will support measures that serve to link executive pay with a company's performance. Accordingly, the Public Pension guidelines will support proposals seeking to prohibit or require more disclosure about stock hedging and pledging by executives. The Public Pension guidelines will also support proposals requesting that companies adopt executive stock retention policies and those that prohibit the accelerated vesting of equity awards. Furthermore, the Public Pension guidelines will support shareholder proposals to link pay with performance, to eliminate or require shareholder approval of golden coffins and to clawback unearned bonuses. Although the Public Pension guidelines will support shareholder proposals requesting that companies assess the feasibility of including environmental or social metrics in their executive compensation plans, the guidelines will not support proposals that would require them to adopt specific sustainability metrics in their remuneration schemes.

SHAREHOLDER RIGHTS

Like the general Glass Lewis guidelines, the Public Pension guidelines support increased shareholder participation and access to a company and its board of directors. The Public Pension guidelines will therefore support initiatives that seek to enhance shareholder rights, such as the introduction of majority voting to elect directors, the adoption and amendment of proxy access bylaws, elimination in/reduction of supermajority provisions, the declassification of the board, submission of shareholder rights' plans to a shareholder vote and the principle of one share, one vote. The Public Pension guidelines will support proposals seeking to repeal exclusive forum provisions to ensure shareholders are not limited in the selection of forum for legal action.

GENERAL APPROACH TO ENVIRONMENTAL AND SOCIAL ISSUES

Glass Lewis' Public Pension guidelines will generally support proposals requesting increased disclosure on environmental and social issues. For example, the guidelines will support proposals requesting that companies produce sustainability reports or provide reporting on specific environmental or human-rights-related issues. Further, these guidelines will support increased disclosure of a company's political or lobbying expenditures, including disclosure of how companies' political contributions align with its corporate values.

The Public Pension guidelines will also support proposals requesting reporting on a company's diversity initiatives and the ethnic and gender representation of its employees. Furthermore, the Public Pension guidelines will support proposals requesting disclosure from companies regarding gender pay inequity and company initiatives to reduce the gap in compensation paid to women compared to men. The Glass Lewis Public Pension guidelines generally support proposals seeking increased disclosure and reporting concerning worker and stakeholder health and safety issues.

In addition, in instances where a company, by nature of the industry in which it operates, has significant exposure to risks associated with the emission of greenhouse gasses (e.g., companies that operate in oil and gas, electric utility or extractive industries), the Public Pension guidelines will recommend support for well-crafted shareholder proposals requesting that the company report and make a commitment to reducing its greenhouse gas emissions. However, outside of those instances, the Public Pension guidelines will generally not support proposals asking that a company take a specific action with regard to its environmental or social impacts. For example, the Public Pension guidelines will not support proposals requesting that companies adopt the Holy Land Principles (a set of guidelines for companies operating in Israel/Palestine), that companies adopt certain environmental or social policies (such as those related to deforestation or recycling), or that companies cease to make political or charitable contributions.

TROJAN HORSE PROPOSALS

Under the Glass Lewis' Public Pension guidelines, we carefully examine each proposal's merits in order to ensure it seeks enhanced environmental disclosure and/or practices, and is not conversely aimed at limiting environmental disclosure or consideration. Accordingly, the Public Policy guidelines will not support such proposals, which are often referred to as "Trojan Horse" proposals.